

## Message Text

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16

ACTION NEA-13

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 SAM-01 NSC-10 SS-20

STR-08 CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 AF-10

INT-08 SCI-06 FEA-02 DRC-01 ( ISO ) W

----- 042465

R 141800Z FEB 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 9700

LIMITED OFFICIAL USE NEW DELHI 2245

FOL REPEATED FOR YOUR INFO

QTE

R 131030Z FEB 74

FM AMCONSUL BOMBAY

TO RUSBAE/AMEMBASSY NEW DELHI 8720

INFO RUSBTA/AMCONSUL CALCUTTA 1579

RUSBAS/AMCONSUL MADRAS 1618

C O N F I D E N T I A L

LIMITED OFFICIAL USE BOMBAY 0367

E.O. 11652 N/A

TAGS: EFIN IN

SUBJ: INTERNATIONAL SILVER PRICE CAUSES ACCELERATED

SMUGGLING OUT OF INDIAN SILVER

1. REACTING TO THE RECENT SPECTACULR RISE IN INTERNATIONAL  
PRICES, SILVER IN BOMBAY SHOT UP TO A NEW HIGH RS

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40.43 AN HOUSE ON FEB 12, COMPARES WITH THE NEW YORK

PRICE OF \$5.50 AN OUNCE. THE LOCAL MARKET RECORDED A  
55 PERCENT INCREASE IN LESS THAN A MONTH.

2. SILVER HAS BEEN SMUGGLED OUT EVEN WHEN INDIAN PRICES  
WERE HIGHER THAN THE INTERNATIONAL PRICE BECAUSE SMUGGLERS  
EXCHANGED THEIR DOLLARS AT AN UNOFFICIAL FAVORABLE RATE.  
THE PRESENT FAVORABLE INTERNATIONAL PRICES PROVIDED AN  
ADDITIONAL INCENTIVE TO SMUGGLE SILVER OUT.

3. ACCORDING TO A PROMINENT BULLION DEALER, DURING PERIOD  
1967-73 INDIA EXPORTED MOSTLY THROUGH SMUGGLING 178 MILLION  
OUNCESS OF SILVER. ACCORDING TO HANDY AND HARMANN'S LATEST  
REVIEW OF SILVER MARKET, QUOTED BY "TIMES OF INDIA" FEB 13  
SOME 26 MILLION OUNCES OF SILVER WENT OUT OF INDIA IN 1973.  
ACCORDING "TIMES OF INDIA" THIS WOULD BE WORTH \$66 MILLION  
ON THE BASIS OF LAST YEAR'S AVERAGE PRICE.

4. HOW LONG INTERNATIONAL PRICES WILL REMAIN AT LEVELS ATTRACTIVE  
ENOUGH FOR INDIA TO EXPORT IS MATTER OF CONJECTURE. CURRENT  
PRICE RISE IN THE INTERNATIONAL MARKET IS LARGELY SPECULATIVE IN  
ANTICIPATION OF INVESTMENT BUYING BY RICH OIL PRODUCING COUNTRIES.  
HOWEVER, THERE IS NO EVIDENCE THAT GOVERNMENTS OF THOSE  
COUNTRIES HAVE STARTED BUYING. IN FACT, PRICES IN THEIR  
DOMESTIC MARKETS ARE BELOW THE INTERNATIONAL LEVELS. THUS  
IF THE OIL CRISIS BLOWS OVER AND ARAB COUNTRIES DO NOT BUY  
PRICES SHOULD COME DOWN.

5. RECENT SPURT IN INTERNATIONAL PRICE OF GOLD HAS REPORTEDLY  
ARRESTED THE INFLOW OF SMUGGLED GOLD INTO INDIA. GOLD CURRENTLY  
QUOTED IN BOMBAY AT RS 1,443 AN OUNCES. ACCORDING TO A  
TRADE SOURCE, GOLD SMUGGLED INTO INDIA DWINDLED FROM  
140 METRIC TONS IN 1972 TO 78 TONS IN 1973. THE SAME SOURCE  
ANTICIPATES SMUGGLING WILL DECLINE FURTHER TO 30 OR 40 TONS  
IN 1974.

6. ILLEGAL EXPORT OF SILVER AND VIRTUAL STOPPAGE OF GOLD  
SUGGLING INTO THE COUNTRY HAS LEFT SMUGGLERS WITH EXCESS  
OF DOLLARS. THIS IS SAID TO HAVE CAUSED A REDUCTION IN  
BLACK MARKET PRICE OF THE DOLLAR IN BOMBAY RATE IS NOW  
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ONLY RS 8.75 PER DOLLAR, AGAINST OFFICIAL RATE OF  
RS 8.31.

BANE  
UNQTE SCHNEIDER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
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**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
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**TAGS:** EFIN, IN  
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